

IOWA FINANCE AUTHORITY[265]

Adopted and Filed

Pursuant to the authority of Iowa Code sections 17A.3(1)“b,” 16.2, 16.51, and 16.5(1)“r,” the Iowa Finance Authority hereby amends Chapter 3, “Multifamily Housing,” Iowa Administrative Code.

The purpose of these amendments is to update the rules to provide for a broader range of lending options for affordable multifamily rental housing development and to eliminate programs that are no longer used.

Notice of Intended Action was published in the Iowa Administrative Bulletin on October 30, 2013, as **ARC 1144C**. The Authority received no public comment on the proposed amendments. These amendments are identical to those published under Notice of Intended Action.

The Iowa Finance Authority adopted these amendments on December 4, 2013.

After analysis and review of this rule making, no impact on jobs has been found.

These amendments are intended to implement Iowa Code section 16.51.

These amendments will become effective on January 29, 2014.

The following amendments are adopted.

ITEM 1. Amend rule 265—3.5(16) as follows:

265—3.5(16) Program guidelines. For-profit and nonprofit sponsors are eligible to apply for assistance under this program. ~~There are three categories of loans under this program: preservation of affordable housing, low-income housing tax credits, and substantial rehabilitation of nonrestricted projects.~~

3.5(1) Projects eligible for assistance must meet the following criteria, ~~in addition to any specific requirements applicable to a particular category of loan as set forth in rule 265—3.6(16), 265—3.7(16), 265—3.8(16), or 265—3.9(16), as applicable:~~

a. Both a demonstrated market need for the units must exist and the project must be in a good location, as determined by the authority in its sole discretion.

b. Assistance provided under this program must enable the project to maintain financial feasibility and affordability for at least the term of the assistance.

c. Maintenance and debt service reserve funds must be adequately funded, as determined by the authority in its sole discretion.

d. The maximum loan term is 24 months for construction financing and 40 years for permanent financing.

e. ~~The required debt service is 1.25 to 1. Loan to value ratio will be considered. The authority may, in limited cases, change the required debt service ratio. Such decision will be made in the sole discretion of the authority. At least 75 percent of the units must be restricted to tenants whose income is at or below 80 percent of the area median income and have rents that are affordable.~~

f. ~~Interest rates will be set by the authority, in its sole discretion. Projects must have at least five units.~~

g. ~~Except as permitted in the case of loans made pursuant to rule 265—3.8(16), loans shall be secured by a first mortgage; provided, however, that in limited cases the authority may consider a subordinate mortgage when the first mortgage is held by another entity.~~

h. Construction and permanent financing may be awarded to projects under the program.

i. Borrowers must covenant to observe certain compliance measures, including a recorded agreement to ensure long-term affordability.

j. A title guaranty certificate from the authority’s title guaranty division is required on all loans, unless specifically waived by the authority.

k. A local contributing effort, consistent with Iowa Code section 16.4(3), in an amount of up to 1 percent of the proposed loan may be required by the authority, if feasible, for loans made under ~~division I of this chapter~~. If a local contributing effort is required, evidence of such local contributing effort shall be presented to the authority.

l. The authority may require a change of management or general partner and may refer applicants to other financing options, such as tax-exempt bonds or tax credits, when appropriate.

m. FHA-insured loans may be available through the Multifamily Accelerated Processing (MAP) of HUD, if the authority is an approved MAP lender at the time of the loan closing. The authority may require or suggest such a MAP loan for any and all projects applying for assistance. In addition, the authority may participate in the HUD Risk-Sharing Program and may suggest or require such a loan for any and all projects applying for assistance.

n. ~~Grant funds may be available, in the sole discretion of the authority, if the authority determines that such funds are necessary for the continued financial viability of the project.~~

o. Recipients must execute such documents and instruments, and must provide such information, certificates and other items as determined necessary by the authority, in its sole discretion, in connection with any assistance.

3.5(2) Loan Maximum loan fees are as follows:

a. Commitment fee (construction period) - 1.0 percent of total development costs.

b. Commitment fee (permanent loan) - 2.0 percent of loan amount.

c. Inspection fee (construction period) - 0.5 percent of loan amount \$500 per inspection; inspections will typically occur with each draw on a monthly basis during construction.

d. Application fee - 0.3 percent of proposed loan amount.

e. Asset management fee - calculated as \$25 per unit × number of total project units; submitted annually on or before January 31.

The authority may, in limited cases, reduce such fees if necessary in connection with assistance provided under this program. Such decision will be made in the sole discretion of the authority.

ITEM 2. Rescind and reserve rules **265—3.6(16)**, **265—3.7(16)**, **265—3.9(16)** and **265—3.12(16)**.

ITEM 3. Rescind and reserve 265—Chapter 3, Division II, rules **265—3.20(16)** to **265—3.27(16)**.

ITEM 4. Rescind and reserve 265—Chapter 3, Division III, rules **265—3.31(16)** to **265—3.37(16)**.

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EDITOR'S NOTE: For replacement pages for IAC, see IAC Supplement 12/25/13.